

Message Text

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21

ACTION AF-18

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-02 LAB-06 SIL-01 OMB-01 DRC-01 /121 W

----- 110099

R 291300Z APR 74

FM AMCONSUL LUANDA

TO SECSTATE WASHDC 2562

INFO AMEMBASSY LISBON

AMCONSUL LOURENCO MARQUES

LIMITED OFFICIAL USE LUANDA 0253

E.O. 11652: N/A

TAGS: ECON, PINT, EFIN, AO

SUBJECT: NO SIGNIFICANT REACTION TO THE COUP BY THE PARALLEL
FOREIGN EXCHANGE MARKET

1. BACKGROUND: DUE RESTRICTIONS ON FOREIGN EXCHANGE TRANS-
ACTIONS IMPOSED BY LISBON IN LATE 1971 LUANDA HAS AN ACTIVE
ILLEGAL, ALBEIT TOLERATED PARALLEL MARKET WITH RATES AVERAGING
35-45 PERCENT PREMIUM FOR METROPOLITAN ESCUDOS AND MAJOR WORLD
CURRENCIES. THIS MARKET SERVES TWO MAJOR PURPOSES, TRANSFERS OF
PERSONAL FUNDS TO THE METROPOLE AND ALMOST ALL PURCHASES OF
AUTOMOBILES.

2. SINCE COUP THERE HAS BEEN NO RUSH TO BUY EITHER METROPOLITAN
ESCUDOS OR HARD CURRENCY. LUANDA'S TWO LEGAL EXCHANGE HOUSES
HAVE NOT ALTERED THEIR RATES (CHANGES ARE ORDINARILY MADE IN
HALF-ESCUDO INCREMENTS WHERE DOLLAR EXCHANGE INVOLVED) NOR
NOTED INCREASED BUSINESS. IF ANYTHING BUSINESS IS OFF.
EXCHANGE HOUSES ARE, HOWEVER, ONLY BUYING IF THEY HAVE A MATCHING
ORDER, E.E. NOT SPECULATING. MINIMUM SPECULATION WAS RULE LONG
PRIOR TO COUP ALSO, A QUID PRO QUO FOR NON-INTERFERENCE BY
AUTHORITIES.

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3. MORE VOLATILE STREET MARKET WAS REPORTEDLY GIVING 60 PERCENT

PREMIUM FOR METROPOLITAN ESCUDOS ON SUNDAY (APRIL 28) BUT HAS APPARENTLY DROPPED BACK TO NORMAL 45 PERCENT.

4. STEADINESS OF EXCHANGE MARKET HAS CAUSED COUP WATCHERS TO TURN ATTENTION TO CONSTRUCTION INDUSTRY INVESTMENT. ANY INVESTMENT COMMITMENTS MADE IN NEXT FEW WEEKS WILL BE READ AS STRONG SIGNS OF CONFIDENCE HERE.

5. COMMENT: APPARENT EXCHANGE MARKET STABILITY NOTWITHSTANDING, POST EXPECTS MODERATE FLIGHT OF HOT MONEY IN NEXT FEW WEEKS IF ONLY BECAUSE GETTING INTO DOLLARS OR DM A NO-LOSE PROPOSITION AS RE-ENTRY IS ALWAYS POSSIBLE AT LITTLE RISK. ONLY LITTLE PEOPLE OPTING OUT OF ANGOLAN ESCUDOS WOULD BE A SERIOUS PORTENT.
BRIGGS

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Message Attributes

Automatic Decaptioning: X
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Concepts: FOREIGN EXCHANGE TRANSACTIONS, FOREIGN EXCHANGE RATES, FINANCIAL MARKETS, BLACK MARKETS
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Draft Date: 29 APR 1974
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Disposition Date: 28 MAY 2004
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Disposition History: n/a
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Review Markings:

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